

DEPARTMENT OF DEFENSE BLOGGERS ROUNDTABLE WITH REAR ADMIRAL KEITH TAYLOR,  
ASSISTANT COMMANDANT FOR RESOURCES AND CHIEF FINANCIAL OFFICER FOR U.S. COAST  
GUARD, VIA TELECONFERENCE TIME: 2:30 P.M. EDT DATE: FRIDAY, OCTOBER 24, 2008

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SEAMAN WILLIAM SELBY (U.S. Navy, Office of the Secretary of Defense for  
Public Affairs): And I'd like to welcome you all to the Department of Defense's  
Bloggers Roundtable for Friday, October 24th, 2008. My name is Seaman William  
Selby with the Office of the Secretary of Defense-Public Affairs, and I will be  
moderating the call today.

Note to our bloggers on the line today. Please remember to clearly  
state your name and blogger organization in advance of your question. Respect  
our guest's time, keeping questions succinct.

Today our guest is Coast Guard Rear Admiral Keith Taylor, assistant  
commandant for resources and chief financial officer for the U.S. Coast Guard.  
And Rear Admiral Taylor, sir, if you have an opening statement, you can go ahead  
with that. ADM. TAYLOR: Thank you very much.

SEAMAN SELBY: Thank you.

ADM. TAYLOR: Good afternoon. And I apologize; we do have a bit of an  
echo. If it becomes distracting, I may have to ask somebody to ask their  
question again.

SEAMAN SELBY: Roger that, sir.

ADM. TAYLOR: Thank you.

As many of you may be aware, the Coast Guard did receive its fiscal  
year 2009 appropriation as part of the Consolidated Security Disaster Assistance  
and Continuing Appropriations Act of 2009. The Coast Guard was appropriated  
\$9.36 billion for fiscal year 2009, and that represents approximately a \$680  
million increase in discretionary spending over the fiscal year 2008  
appropriation. Of significance, that also represents about 1,100 new positions  
for the Coast Guard. As part of that same appropriations act, we received \$300  
million in disaster relief and recovery for expenses related to 2008 natural  
disasters and flooding.

What I'd like to do is just take you through a quick overview on some  
of the highlights of the appropriation, and then take any questions you may  
have.

First, one of the major areas of emphasis in that request and what was appropriated is the recapitalization of the Coast Guard. And the Coast Guard was appropriated (\$)1.49 billion in our acquisition, construction and improvement appropriation, allowing us to address needs for cutters, boats, aircraft, C4ISR systems, as well as shore infrastructure.

Some of the highlights include approximately \$354 million for the National Security Cutter program; \$108 million for the Response Boat Medium program; \$115 million for the Fast Response Cutter program; \$87 million for the Maritime Patrol Aircraft program; \$73 million for the Rescue 21 program -- and that will allow us to continue the deployment of Rescue 21 in the Great Lakes region, Hawaii, Guam and Puerto Rico; \$64 million for avionics and cockpit upgrades on our HH-65 helicopters; \$52 million for avionics and radar upgrades to our HH-60 helicopters. One area of significant importance, \$68 million for our shore infrastructure area, that will allow us to address critical concerns we have with our aging infrastructure -- attending to our structures, our piers, buildings, et cetera. And finally, within that appropriation, there are 65 additional positions added to the acquisition directorate to allow us to continue progress in assuming the lead systems integrator effort across all of our acquisitions and continued progress as arrayed in our blueprint for acquisition reform.

In our operating expenses account and appropriation, we were appropriated \$43.6 million to enhance Maritime Safety, Security, and Stewardship.

This will allow us to add approximately 500 new marine inspectors, marine investigators, boat crew members, boarding team members, as well as enhance our ability to manage rulemaking projects, as well as provide for training and support for those personnel.

These are being done to meet industry growth and inspection requirements for the U.S. towing vessel fleet, increasing our capacity to address challenges we face in the transport maritime area for certain dangerous cargoes, increasing our ability to carry out marine casualty investigations, increasing our capacity to have armed boat escorts and carry out security boardings, as well as enhancing our ability to test area contingency plans that address environmental hazards in the port and coastal regions.

As many of you on the line may be aware, there has been a dramatic increase in the amount of maritime trade, over the last 10 years, as well as the use of our marine transportation system. And this growth in this area will allow us to add capacity, to meet the requirements that we have and begin to address shortfalls we have in this area.

The next area within our operating expense appropriation is \$12.3 million to improve command and control capabilities. This will add over 200 watchstanders, to Coast Guard command centers around the nation, to meet increased operational demands, improve our situational awareness and allow us to monitor the new Rescue 21 circuits that are being added as part of the Rescue 21 acquisition effort.

The final area I'd like to highlight is \$38.1 million that are provided to help us establish comprehensive intelligence and awareness regimes. This will add approximately 100 new positions that will provide the following intelligence and maritime domain awareness efforts.

We will enhance our cryptologic service groups. We will add capacity to our counterintelligence service. The funding will allow us to operate and maintain the first increment of the Nationwide Automatic Identification System. And additional money is provided to continue the effort that we have, under way, to build our interagency operation centers under the Command 2010 project.

Having our appropriation on time at the beginning of the fiscal year, from my perspective, is vitally important. It's allowing us to in an interrupted way continue to beat all the mission demands we have across all threats and all hazards. It's allowing us to keep critical acquisition projects on track and being able to continue to deliver new assets to the men and women of the Coast Guard so they can meet the mission demands they have.

And finally, as we already arrayed and talked about, it's allowing us to move forward and begin to execute these new initiatives that include hiring and training and bringing on board people across the entire spectrum of maritime safety, security and stewardship missions.

With that brief overview, I'm available to take any questions you may have.

SEAMAN SELBY: Thank you, sir. And a few people joined us.

Anybody else join us?

Okay, David, you were on the line, so go ahead and ask as many questions as you want.

Q Hi, can you hear me okay?

SEAMAN SELBY: Yes, I can.

Q There's something of an echo. So it's a bit distracting. Forgive me if I get sidetracked.

Hi, sir, this is David Axe with War is Boring and Wired's DANGER ROOM blog. Thanks for taking the time to talk to us.

ADM. TAYLOR: Good morning -- or good afternoon, David. We have this echo, so it's a little bit distracting in my end as well, so I apologize.

Q Well, we'll just try to muddle through it. So can we first talk about cost of the National Security Cutters? Does it look like under current and projected budgets that the Coast Guard's going to be able to afford all eight?

ADM. TAYLOR: David, the program of record that you may be aware of that is for eight cutters; there's a mission demand and a requirement for those eight cutters. And at this point I have nothing that gives me any indication that we won't pursue and fund all eight cutters.

Q Great. So is the Coast Guard building enough wiggle room into its projected budget to accommodate possible cost increases on National Security Cutters?

ADM. TAYLOR: Cost increases on a National Security Cutter is obviously, as you might imagine, a very complex issue when you look out into the future years.

There's a lot of variables that go into that. I'm not so sure that I would ever subscribe to anything related to wiggle room.

Q (Laughs.)

ADM. TAYLOR: We certainly are looking at all the different factors, whether it be the price of energy, the cost of commodities, whether it be the exchange rate between the dollar and the euro, whether it be the cost of labor. All of those factors go in as you look forward, and all of those things need to be addressed as you make future projections for budgets. And we need to do regular updates because all of those variables change and, as you might imagine, we don't control all those variables.

Q Sir, but what I'm really asking is, is the Coast Guard -- when it looks ahead to funding future National Security Cutters, is there a sense of conservatism there? You know, trying to avoid low-balling the cost projections?

ADM. TAYLOR: From my perspective, we're always trying to make sure the right amount of money is requested to meet the requirement in any given year. And again, as I said, we always have to be mindful that some of these drivers change over time and we always need to update those plans as we move forward.

Q Right. So, can we move on to the Fast Response Cutter?

ADM. TAYLOR: I'm sorry, David. Could you say that again?

Q Can we move on to the Fast Response Cutter?

ADM. TAYLOR: Absolutely.

Q Great. So is the Coast Guard prepared for the potential ramifications of a protest? You know, protests have the effect sometimes of stretching out a program, and cost increases can be incumbent in that. So what would the protest of the FRC -- has that changed your planning in any way?

ADM. TAYLOR: David, I think whenever you have a large contract award you always face some risk of protest. It's part of the process. It's in accordance with policies and procedures. This is not necessarily my area of expertise, but we're going through that very rigorous process now. In my discussions with our acquisition experts, we feel we have done everything right with this process of getting to an award, and we're very confident that we'll be able to move forward.

Q So you're saying that you don't think that, in light of the protest, there need to be any adjustments to the budgetary process?

ADM. TAYLOR: At this point, I think that would be premature.

We're going to need to see how this process plays out going forward.

Q Okay, very good.

Can you give me a sense of the current and projected investment in repairs, modifications, upgrades to the existing cutter fleet in light of delays to various cutters within Deepwater? In other words, how much are we investing in legacy cutters, and how much of that investment changed as a proportion of the modernization budget?

ADM. TAYLOR: One element of that: in the FY '09 appropriation, we appropriated additional monies to provide for sustainment of the current fleet. And in fact, Congress added \$5 million above the request level, for a total of \$34 million. Certainly, as our cutters age, the cost profile for those cutters continues to increase. That's why it's so important we continue to press forward with the acquisition projects to replace those cutters. In addition, within our acquisition and construction account, we were appropriated \$35 million this year to support enhancements to our medium-endurance cutters.

Q Well, thank you very much.

So I want to pose a sort of hypothetical question. If more money were in the cards, would it -- say, like a supplemental for the Coast Guard -- where do you think that money would be best invested in light of the current budget? In other words, if there was something that you could throw more money at, what would it be?

ADM. TAYLOR: Well, first off, I am challenged to deal in the hypothetical. But certainly -- a couple of things I'm very convinced of.

First and foremost, over the last two years under Admiral Allen's direction, we have made incredible progress and incredible changes to our acquisitions directive -- directorate -- the way we go about the processes of acquiring and managing programs. So any additional monies that might be provided in any future appropriation, I'm very confident that we're in a great position to execute all those dollars to the best benefit of the nation.

Q Okay, but what would you do with them -- with that money?

ADM. TAYLOR: If I were to take those monies, I'd look at where my shortfall or requirements are, and I would find those areas where we have proven assets and a proven production line that we've stabilized requirements and we can continue to buy more of those assets and move ourselves forward.

Q Okay. Are you happy with aviation investment?

ADM. TAYLOR: Absolutely. All the monies that were requested were appropriated, and that's very, very important.

Q Now let's move on Rescue 21, if we can. Let me see if I can pose this question the right way. Has the investment grown in light of challenges that have emerged in the program in recent years? And is that investment -- (inaudible) -- to avoid a long stretch-out of Rescue 21's roll-out?

ADM. TAYLOR: David, the Rescue 21 project obviously is a very complex project and has always been planned to take a series of years. We were appropriated \$73 million this year to continue forward in those areas that I identified. Over time, there have been cost increases to this program because of the complexity, the access to towers and some of the infrastructure changes that had to be made.

I know from talking to the operators, the people that are using this system today, it is making an incredible difference. We are saving lives. We have vastly increased situational awareness. And this was absolutely the right project and we're moving ahead very aggressively with it.

Q So you're happy with the funding for Rescue 21. I mean, is there going to be a big stretch-out of the program?

ADM. TAYLOR: Yes, we're very happy with the funding we received in '09. And I think we're on the appropriate glide slope to continue on with that program.

Q Okay, great. That's all the questions I had. Thank you very much.

SEAMAN SELBY: Thank you, David. And did anybody else join us?

If not, sir, we can go ahead and get some closing comments -- any closing comment from you if you had one, sir.

ADM. TAYLOR: Well, I appreciate the opportunity to join in today. This is actually my first opportunity to discuss the Coast Guard and I -- what I hope to be all the great things we're doing in the Coast Guard in this forum. I would offer -- and David, you may already know this, but there's a lot more information about the Coast Guard available at [www.uscg.mil/comdt](http://www.uscg.mil/comdt) -- c-o-m-d-t. You can find our fiscal year '09 posture statement, our complete congressional justification, as well as a copy of the Cooperative Strategy for 21st Century Seapower, which was signed about a year ago by the commandant of the Marine Corps, the chief of Naval Operations and the commandant of the Coast Guard.

This is absolutely a landmark document between the three sea services that lays out the strategy for the future. And this document generated what I believe was a first-ever hearing in front the Armed Services Committee where those three service chiefs testified together on behalf of the needs in the maritime environment.

I appreciate everyone's interest and certainly the ongoing support for your United States Coast Guard.

SEAMAN SELBY: Thank you very much, sir.

Q Thanks.

SEAMAN SELBY: And thank you, David, for being on the line. Thank you for all your questions today.

Today's program will be available online in the bloggers link on [dod.mil](http://dod.mil), where you'll be able to access a story based on today's call, along with source documents such as the audio file and print transcript.

Again, thank you, Rear Admiral Taylor and our -- (inaudible).

ADM. TAYLOR: Thank you very much. Have a nice day.

END.